This record is a partial extract of the original cable. The full text of the original cable is not available.

291716Z Aug 05

UNCLAS SECTION 01 OF 02 LAGOS 001350

SIPDIS

E.O. 12958: N/A
TAGS: ELAB EPET KDEM PGOV NI
SUBJECT: PETROLEUM INDUSTRY STRIKE THREAT LOOMS ON 2 FRONTS

SUMMARY

¶1. (U) The petroleum industry, the dominant force in the Nigerian economy, has recently been hit with threats of labor disruption. While labor allegations about government implementation of refinery privatization produced threats of a stoppage by oil workers, retail price hikes have been responded to by calls for disruption on a national scale. These suggestions of labor strikes are worrisome but organized labor has not fared well in its last few encounters with government and public confidence in labor has waned in recent months. It will be hard for labor to organize any effective action. End Summary.

PRIVATIZATION THREATS

¶2. (U) On August 17, local newspapers reported Nigerian National Petroleum Corporation (NNPC) workers gave the GON a 14-day strike ultimatum. The workers, members of the Petroleum and Natural Gas Senior Staff Association of Nigeria (PENGASSAN) and National Union of Petroleum and Natural Gas (NUPENG), claimed the GON has neglected labor issues in pursuit of privatization of government-owned oil refineries. The workers accuse the Bureau of Public Enterprises (BPE) of ignoring certain GON privatization guidelines. The ultimatum also called for BPE to withdraw its personnel from the Port Harcourt Refinery and Eleme Petrochemical Company, both slated for privatization by December 2005.

¶3. (U) BPE Assistant Director Gordon Gofwan confirmed the workers' ultimatum, but claims the workers' major concerns of job security and payment of post-privatization benefits have been addressed. While asserting the workers will not be allowed to dictate the terms of refinery privatization, Gofwan said BPE has met NNPC Group Managing Director (GMD) Funsho Kupolokun to address these concerns. Gofwan says the NNPC plans to shift some workers from the refineries to other NNPC subsidiaries, and will promptly pay terminal benefits to those workers the NNPC cannot retain elsewhere.

¶4. (U) PENGASSAN Secretary Bayo Olowosile confirmed union leaders and the BPE have held a series of meetings since August 17 to address workers' concerns, with no agreement reached so far. According to Olowosile, "oil sector unions are not really against the privatization of the refineries, but are worried about the fate of their members when the refineries are sold off." He said the unions fear their members may be treated like Nigerian Airways employees who were denied terminal benefits when the airline was liquidated.

¶5. (U) Gofwan stated the NNPC GMD is expected to address protesting workers soon. Olowosile asserted the ultimatum stands until a compromise is reached. In the meantime, BPE has concluded all investor inspections of the refineries, and workers have not hindered this process in any way.

¶6. (U) Comment: In the first phase of refinery privatization, the GON plans to cede 51 percent equity in its four moribund refineries to private investors. The second phase may involve floating the remaining 49 percent on the Nigerian stock market. With none of the refineries operating at more than 50 percent capacity, a strike probably will not significantly reduce the supply of refined products, since Nigeria presently imports most of its domestically consumed petroleum products. Moreover, the workers' fears may be overstated; in contrast to other GON enterprises, the NNPC has so far been able to meet pension obligations. However, it is unclear how well the parastatal will do if faced with mass redundancy. End comment.

NATIONAL LABOR BACKLASH FROM PRICE HIKE

¶7. (U) In a related issue, NNPC, after approval from the Petroleum Products Pricing Regulatory Agency (PPPRA), increased the price of petroleum products, because existing subsidized rates did not cover the cost of importing the products. Citing climbing world prices, NNPC GMD Kupolokun

claimed subsidizing the 30 million liters of products consumed daily in Nigeria costs NNPC Naira 600 million per day, or N22 per liter per day. This is more than four times the daily subsidy per liter from September 2004, when prices were increased to N49.90.

¶8. (U) PPPRA approved a 43 percent increase from the present Naira 50.50 to Naira 72. Meanwhile, labor organizations and civil society groups have again spoken against any price hike. The Nigerian Labor Congress (NLC) has asked Nigerians to resist any hike in fuel prices, and the Trade Union Congress of Nigeria (TUC) asked members to prepare for mass action and protests.

¶9. (U) Comment: Though major strikes have occurred after previous price increases, the last hike in first quarter 2005 was grudgingly accepted by Nigerians who seemed more concerned about finding ways to manage with the price increase than in participating in a strike that had less than an even chance of success. While Nigerians are clearly unamused by the current increase, they also have had their fill of ineffective labor strikes. The perception that the most recent strikes were not successful will be a significant brake on labor's chance to organize a strike this time around. End comment.
BROWNE